

No. 11,657

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

STORK RESTAURANT, INC. (a corporation),
Appellant,

VS.

N. SAHATI, ZAFER SAHATI, SALLY SAHATI,
EDMOND SAHATI, ALFRED ANSARA, A.
E. SYUFY,
Appellees.

REPLY BRIEF FOR APPELLANT.

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REPLY BRIEF FOR APPELLANT.

The appellees do not question the summary of evidence as set forth in the appellant's opening brief. And while they profess to have no quarrel with the applicable rules of law and cases presented in the appellant's brief, it is apparent that their argument is in many respects incompatible with the authorities reviewed in the Brief for Appellant.

In answering the appellees' brief, the appellant will deal specifically with each topic as stated therein.

“I.

“APPELLANT HAS FAILED TO SHOW THAT APPELLEES ARE GUILTY OF UNFAIR COMPETITION OR ANY COMPETITION WITH APPELLANT.”

Under this topic the appellees point out that the appellant introduced no evidence to show that particular persons were actually misled into believing that there was some relation between the appellees' business and that of the appellant, or to show that the appellant sustained a monetary loss.

In a suit for injunction it is not necessary to prove specific instances of confusion; it is sufficient to show—and the evidence does show, as demonstrated in the appellant's opening brief—that there is a *likelihood* of confusion. *Rest., Torts*, vol. 3, sec. 728, p. 591; *Callman, Unfair Competition and Trade Marks*, vol. 2, p. 1124; *Brooks Bros. v. Brooks Clothing of California* (1945), 60 F. Supp. 442, 450, 453, 454, 459, 158 F. (2d) 798; *Law v. Crist* (1940), 41 C.A. (2d) 862, 865-866; *Hoover Co. v. Groger* (1936), 12 C.A. (2d) 417, 419; *Sun-Maid Raisin Growers v. Mosesian* (1927), 84 C.A. 485, 497; *Schwarz v. Schwarz* (1928), 93 C.A. 252, 255; *Winfield v. Charles*, decided November 29, 1946, 77 A.C.A. 80, 85.

Nor is it necessary in a suit for injunction to prove that actual damage has occurred; it is enough to show that injury or damage is threatened or imminent. *Brooks Bros. v. Brooks Clothing of California*, supra, at p. 459; *Law v. Crist*, supra, at pp. 865-866; *Hall v. Holstrom* (1930), 106 C.A. 563, 572; *Sun-Maid Raisin Growers v. Mosesian*, supra, at p. 497; *Winfield v. Charles*, supra, at p. 85.

As the Court said in *Winfield v. Charles*, supra (at p. 85) :

“It is unnecessary, in such an action, to show that any person has been confused or deceived. It is the likelihood of deception which the remedy may be invoked to prevent. (*Schwarz v. Schwarz*, 93 Cal. App. 252, 255 (269 P. 755).) ‘It is sufficient if injury to the plaintiff’s business is threatened, or imminent to authorize the court to intervene to prevent its occurrence.’ (*Sun-Maid Raisin Growers v. Mosesian*, 84 Cal. App. 485, 497 (258 P. 630).) * * *”

Moreover, it is to be noted that in the *Brooks Bros.* case there was no testimony that particular persons had been deceived. The Court held that the nationwide reputation which the plaintiff had established “has created a condition where, to use the language of the Restatement of Torts, ‘confusion of source’ is *inherent* in the use of the word ‘Brooks’ by anyone but the plaintiff” (p. 453, emphasis ours).

Nor was there any proof in the *Brooks Bros.* case that the plaintiff had sustained any monetary loss. As the Court said, “The plaintiff has offered no proof of actual loss or injury. * * * The proof in the record here would lead to the conclusion that the plaintiff suffered no injury in its business and that the profits, if any, were due to the aggressive merchandising methods and the business acumen of the defendant” (p. 459). The Court held, accordingly, that the plaintiff was not entitled to damages; but it nevertheless issued an injunction. As said in *Adolph Kastor Bros. v. Federal Trade Commission* (1943), 2 Cir., 138 F.

(2d) 824, 826 (quoted in *Brooks Bros.* case, *supra*, at p. 460, footnote 42), “No one need expose his reputation to the trade practices of another, even though he show no pecuniary loss * * * [citing numerous cases].”

Neither of the two cases cited by the appellees under the present topic lends any support to their argument. In the first such case, *The Brass Rail Inc. v. Brass Rail Restaurant Co.* (1938), D.C., W.D.Pa., 38 U.S.P.Q. 58, the name “Brass Rail”, as the court said, “was selected by the defendant in good faith, with no knowledge of its prior use in New York City by plaintiff” (p. 59). The court observed, further, that there was no evidence “from which we can find that the defendant selected the name ‘Brass Rail’ with any design inimical to the interests of the plaintiff, either to take the benefit of the reputation of plaintiff’s restaurant, to forestall the extension of plaintiff’s trade, or for any other sinister purpose” (p. 59). The court then stated that its view was supported by the *Rectanus* and *Hanover* cases (see appellant’s opening brief, p. 73 ff.). It thus appears that the *Brass Rail* case falls within the same category as the latter two cases and does not aid the appellees here.

The other case relied upon by the appellees, *Southern California Enterprises, Inc. v. Broadway Ballroom, Inc.* (1946), 64 N.Y.S. (2d) 613, is likewise readily distinguishable. There the plaintiff’s name “Palladium” was specifically found by the court not to have acquired a secondary meaning (pp. 614, 615), and the court further observed that “there is

evidence that ‘Palladium’ is the name of a famous music hall in London, England, and that that name has been used, and is being used, in this State and elsewhere by amusement companies and other business enterprises, and that it was so used before the plaintiff decided to employ that name for its establishment in Hollywood” (p. 614).

Moreover, the court recognized the soundness of the *Maison Prunier* case (see appellant’s opening brief, pp. 81-82), and remarked that a “different question might perhaps arise, if, as in the *Prunier* case, the defendants had also appropriated the plaintiff’s trade mark or its advertising slogan for the purpose of conveying the impression that the New York establishment was identical with, or a branch of, the plaintiff’s ballroom in Hollywood” (p. 616). In the present case, of course, the appellees appropriated not only the appellant’s trade name but also its trade insignia, and they did so for the purpose of trading upon the appellant’s good will and reputation. This case, therefore, falls within the rule of the *Maison Prunier* case, and is not comparable with the case relied upon by the appellees.

“II.

“APPELLANT IS NOT ENTITLED TO AN INJUNCTION UPON THE THEORY THAT IT HAS BEEN DAMAGED IN A PROPERTY RIGHT.”

The appellees do not dispute the proposition that the appellant has a property right in its trade name

and insignia in California. They contend merely that the appellant has failed to show irreparable damage resulting from the use of such trade designations by the appellees.

As indicated above, it was not necessary for the appellant to prove actual damage. And the threat or imminence of irreparable damage to the appellant's property rights is fully established in its opening brief at pages 99-105, where it is shown that the appellees' use of the appellant's highly distinctive trade name and insignia necessarily impairs their value as advertising devices, and that unless injunctive relief is granted to protect and preserve the identity and singularity of these valuable trade symbols, their advertising value, and the appellant's great investment in them, may largely be destroyed.

As forcefully and realistically expressed by Judge Bard in *Stork Restaurant, Inc. v. Marcus* (1941), D.C., E.D. Pa., 36 F. Supp. 90, 94, "upon the strength of a single, if sustained, precedent the plaintiff could be literally 'hemmed in' by 'Stork Clubs', until the public was so surfeited with the same that the mere mention of the name would provoke contrary reactions."

Appellees call attention to the fact that the appellant's business establishment is located in New York City; that appellant "does not have a product which is sold in inter-state commerce or in any commerce whatsoever" (p. 6); and that the present case does not involve a registered trade mark. All such matters

have been recognized and dealt with extensively in the appellant's opening brief. As we have shown, they do not preclude the granting of injunctive relief. If they do, we have been favored with no authorities to that effect.

“III.

“CASES IN THE NINTH CIRCUIT HAVE DECIDED THE SAME POINTS HEREIN INVOLVED IN FAVOR OF APPELLEES.”

The appellees rely upon the *Brooks Bros.* case, supra, and the recent case of *Lerner Stores Corporation v. Lerner* (1947), 9 Cir., 162 F. (2d) 160. The *Brooks Bros.* case has already been discussed. See, also, appellant's opening brief, at pp. 75-76.

The *Lerner* case is clearly distinguishable from the present one upon several grounds. In the first place, it involved the use by the defendant of his own surname. “In such cases the defendant has good reason to use the name and an absolute injunction may not be necessary to afford the plaintiff adequate protection. Appropriate relief may therefore be given by an injunction which permits the defendant to continue the use of the name but requires him to take precaution against deception of prospective purchasers by accompanying the name with a distinguishing legend or by other appropriate means.” *Rest., Torts*, vol. 3, p. 636.

In the *Lerner* case, the defendant had already taken all possible precautions to obviate confusion. Upon

notice from the plaintiff protesting his use of the name "Lerner's", he "immediately set about making additions to the name so as to avoid confusion in the minds of the customers" (162 F. (2d) 161). He dropped the "'s'" from the name "Lerner's", added his given name "Wilfred", and added also the words "Home Owned". Furthermore, as this Court observed, he "used a continuous script type for his advertising and store front modeled on his own handwriting, which style of lettering differed in every material respect from the arrangement, lettering and text of appellant's store front * * *" (p. 162).

In contrast, the present case involves a trade name and insignia which are extremely arbitrary, fanciful, and unique, and which are therefore entitled to the highest degree of protection. (See Brief for Appellants, p. 40 ff.) Furthermore, the appellees used both the name "Stork Club" and the stork insignia—although there was no commercial necessity for them to use either designation—and they used them for the purpose of "riding the coattails" of the appellant's good will and reputation.

It is to be noted, also, that in the *Lerner* case the plaintiff did not advertise in newspapers, magazines, or over the radio (p. 161), and that its merchandising methods were not designed to draw patronage from large areas to its stores in San Francisco and Oakland. On the contrary, its plan of operation was to establish stores in each community to be served. In the present case, the appellant has spent hundreds of

thousands of dollars in advertising which is expressly designed to develop, and which has successfully created, a nation-wide patronage area.

In the *Lerner* case, finally, the plaintiff, as this Court pointed out, "moved into a territory where another firm using the name of 'Lerner' was established. The 'J. S. Lerner-Vogue', with its home office in Kansas City and doing business in a number of other states, was first in the field" (p. 163). Here, it is not disputed that the appellant was first in the field, and that its trade name and insignia had become widely known throughout California long before they were pirated by the appellees.

The appellees seek to distinguish the authorities cited in the appellant's opening brief upon the following grounds:

"1. Appellant operates a large establishment and appellees a very small one." (Difference in size is not the controlling factor. See Brief for Appellant, p. 68 ff.)

"2. Appellant does not do business in the City and County of San Francisco in any manner or form". (This is true only in the sense that appellant has no *place* of business in San Francisco. But the *situs* of the business is not the dispositive factor. See Brief for Appellant, p. 71, ff.)

"3. Appellees do not in any way compete with appellant." (Competition is not necessary. See Brief for Appellant, p. 53, ff.)

“4. Neither party sells or manufactures goods in commerce.” (This, of course, does not foreclose injunctive relief. See Brief for Appellant, p. 53 ff.)

“5. The great distance between the two places of business”. (“Distance is no defense”. See Brief for Appellant, p. 71 ff.)

As Judge Learned Hand observed in the *Kastor* case, supra, “The Kastor Company is in a dilemma; either its knives will sell as well under some other name, or the name, ‘Scout’, gives them an advantage to the prejudice of the Boy Scouts” (p. 826).

The appellees here are in the same dilemma.

Dated, San Francisco,

October 14, 1947.

Respectfully submitted,

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